Viscofan
The casing company

January –September Results

twenty 18



25 October 2018

Key financial results:

€ Million	9M18	% y-o-y	% y-o-y Like-for-like [1]	3Q18	% y-o-y	% y-o-y Like-for-like [1]
Revenue	577.9	-0.5%	+2.6%	192.2	+0.9%	+0.7%
Recurring EBITDA[2]	139.4	-12.2%	-2.8%	44.6	-7.5%	-5.6%
Rec. EBITDA margin[2]	*24.1%*	*-3.3 p.p.*	*-1.5 p.p.*	*23.2%*	*-2.1 p.p.*	*-1.6 p.p.*
EBITDA	153.9	-6.6%		44.6	-7.5%	
EBITDA margin	*26.6%*	*-1.8 p.p.*		*23.2%*	*-2.1 p.p.*	
Operating Profit	107.5	-12.4%		29.0	-15.4%	
Net Profit	88.7	-3.8%		23.0	-11.7%	

[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon and Transform Pack) and non-recurring impacts.

[2] Recurring results: a) In 2018, the amount excludes the impact recorded in Other operating income of €15.4 million corresponding to the compensation received in 2018 for a dispute against Mivisa Envases S.A.U. due to patent infringement, netted at €0.9 million recorded in Other operating expenses corresponding to this dispute and the acquisition of companies. b) In 2017, it excludes the positive impact of €6.0 million in EBITDA corresponding to the net impact of the compensation for the fire in Germany, once non-recurring costs are deducted for inventory, clearing and cleaning, inter alia.

Like-for-like growth in all reporting areas, highlighting the growth in Latam and the recovery in North America, compared with volumes slowdown in China and South-East Asia

9M18 GROUP

-0.5% vs. 9M17

+2.6% Like-for-like[2]

REVENUE 9M18. Breakdown by geographical area [1] (€ million)

EUROPE AND ASIA

56.7%



+3.2% vs. 9M17

+1.1% Like-for-like[2]

317.3 327.4

9M17 9M18

NORTH AMERICA

28.9%



-4.7% vs. 9M17

+2.1% Like-for-like[2]

175.3 167.1

9M17 9M18

LATAM

14.4%



-5.4% vs. 9M17

+9.2% Like-for-like[2]

88.1 83.3

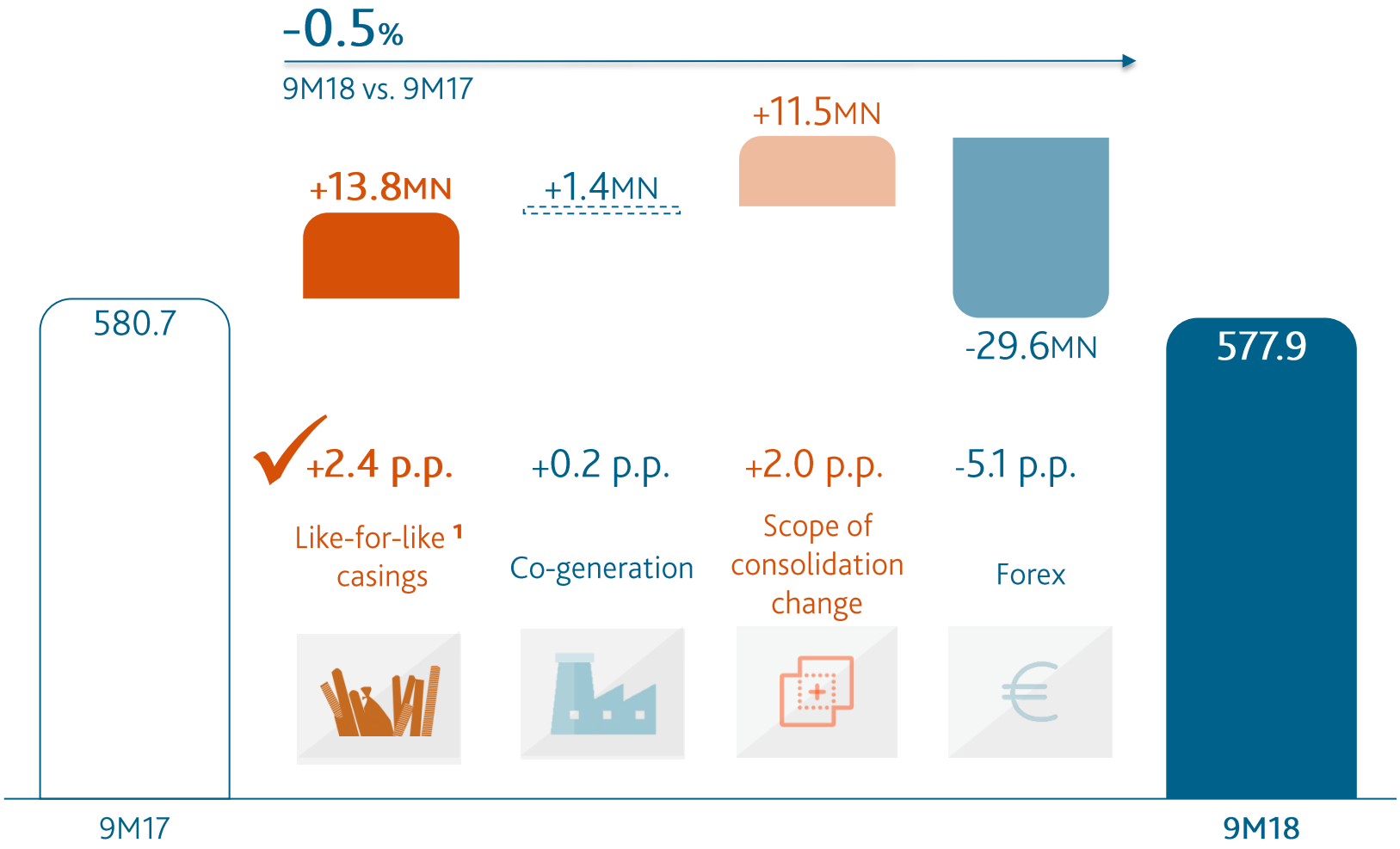
9M17 9M18

[1] Revenue per origin of sales.

[2] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon and Transform Pack) and non-recurring impacts.

Forex weakness continues to fade away like-for-like growth

REVENUE. Growth contribution (€ million)



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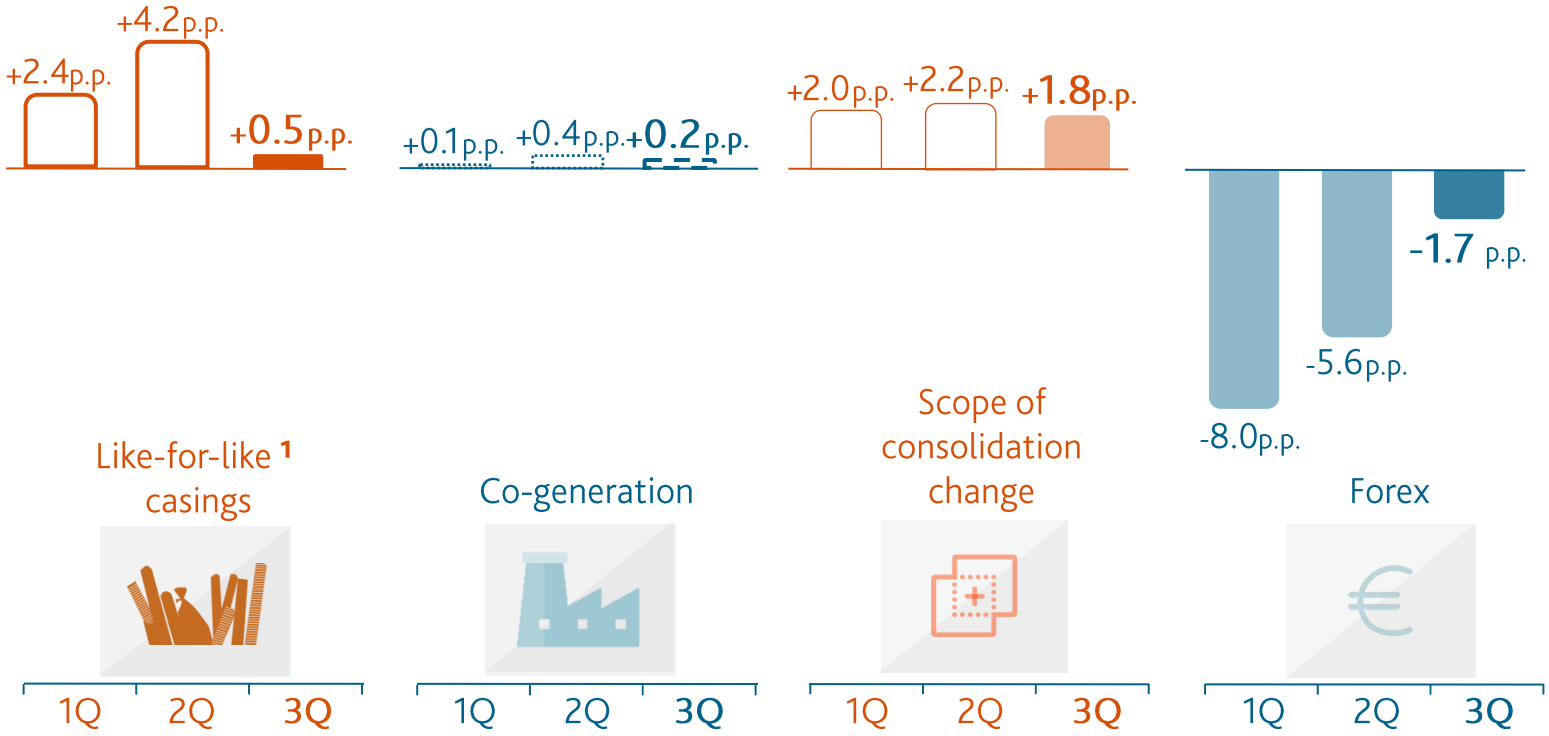
Leading growth and commercial discipline strategy despite the difficulties in China and South-East Asia in 3Q.

REVENUE. Quarterly growth contribution (€ million)





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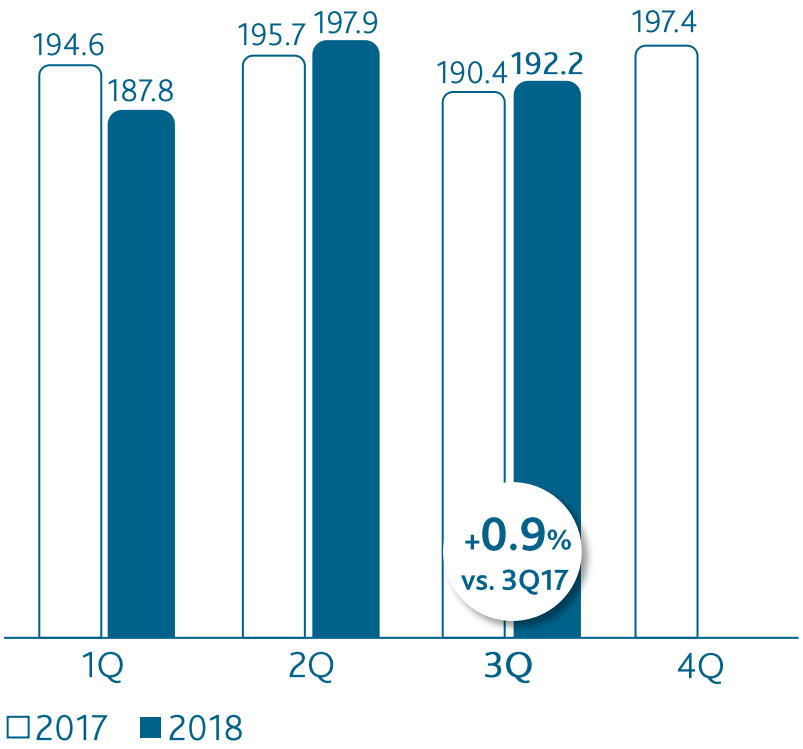
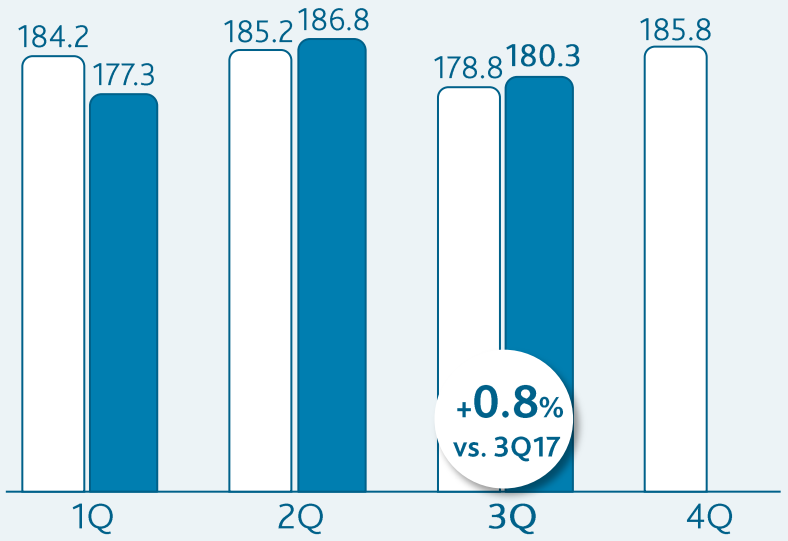
Growth in quarterly revenue driven by the increase in selling prices and greater co-generation revenue.

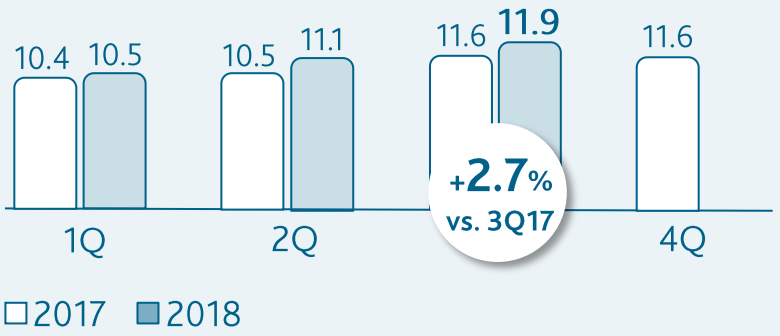
REVENUE. Viscofan Group (€ million)



CASING SALES (€ million)

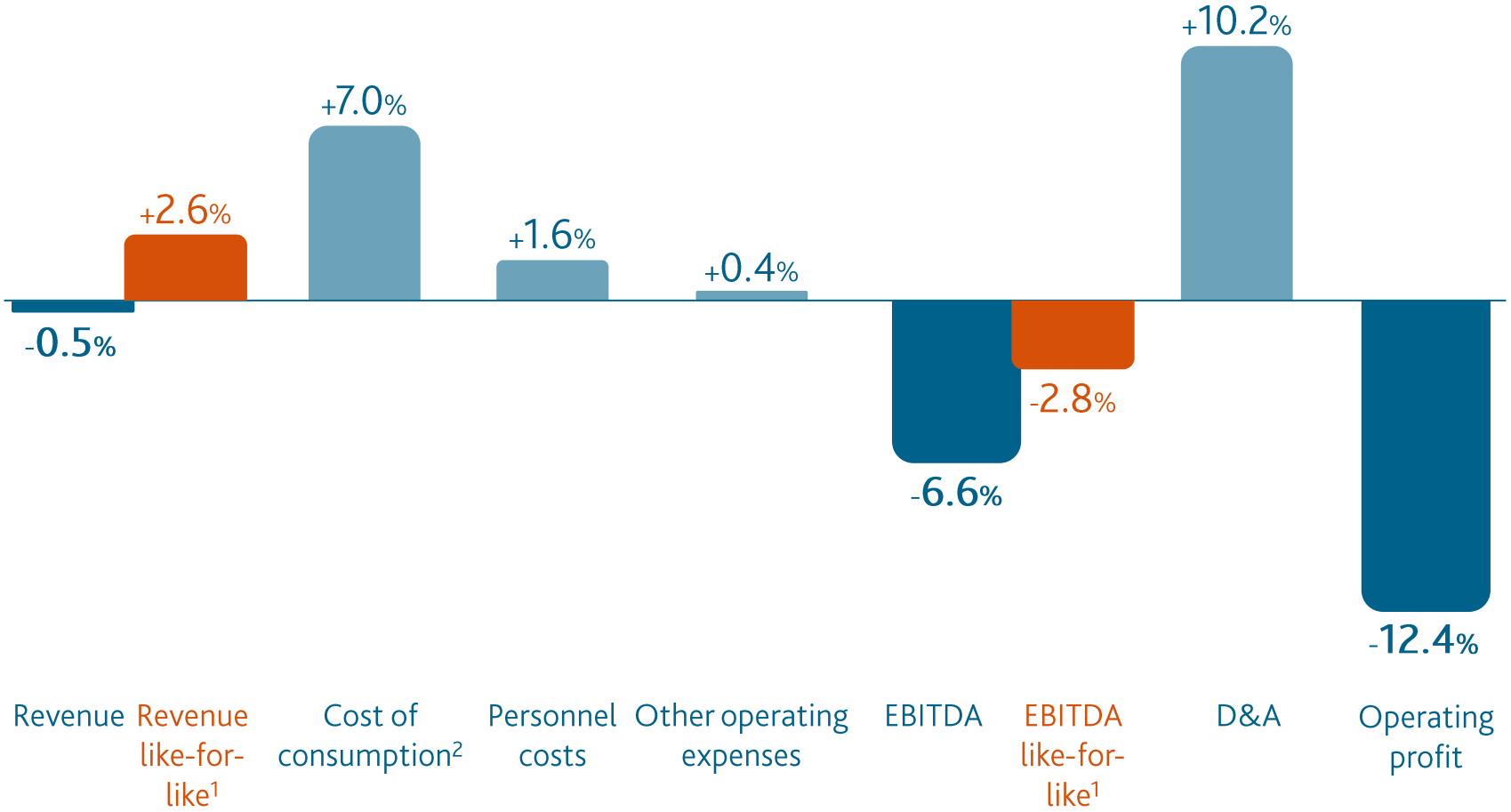


CO-GENERATION REVENUE (€ million)



Commercial discipline against a backdrop of higher raw materials and energy costs, and the technological transition that includes the start-up costs of the new plant in Cáseda.

P&L 9M18. % year-on-year change

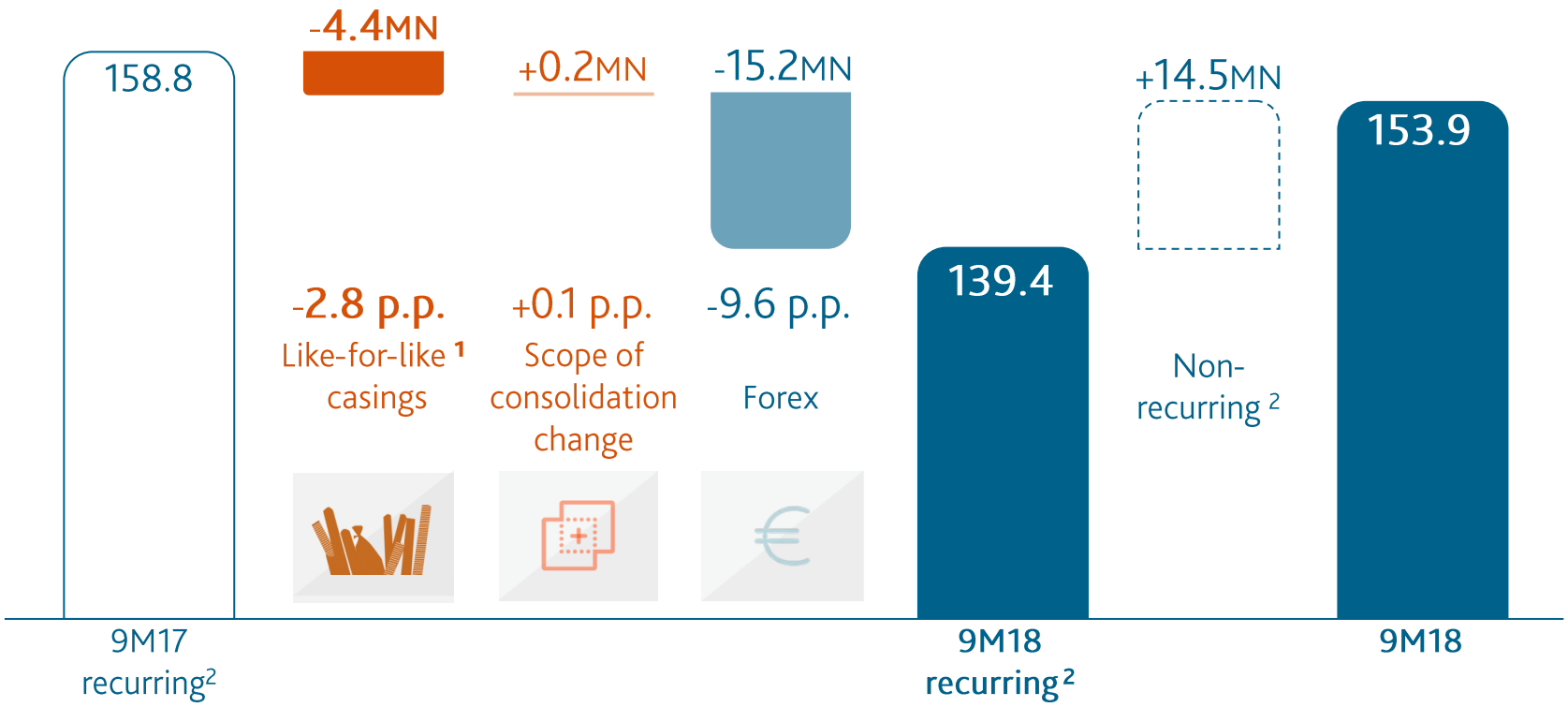


[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon and Transform Pack) and non-recurring impacts.

[2] Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.

EBITDA performance also affected by forex headwind…

EBITDA 9M18. y-o-y bridge (€ million)



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...as well as Net profit.

9M18. EBITDA to Net Profit (€ million)

	9M18	9M17	% y-o-y
EBITDA	153.9	164.8	-6.6%
Operating Profit	107.5	122.7	-12.4%
+ *Financial income*	*+0.2*	*+0.1*	
- *Financial expenses*	*-1.6*	*-1.4*	
+ / - *Exchange differences and others*	*+3.6*	*-7.0*	
- *Taxes*	*-21.1*	*-22.2*	
(Tax rate)	*(19.2%)*	*(19.4%)*	
Net profit	88.7	92.2	-3.8%

Forex impact

-15.2

+10.6

To wrap-up

- ✓ Viscofan continues to **reinforce its leadership in the casings market** thanks to the market share gain and Supralon.
- ✓ **Growth and profitability strategy in the medium term** back **price increases** in the market within an environment of inflation and forex weakness.
- ✓ Weaker emerging markets, specially in Asia, compared with the strength in developed markets.
- ✓ **Forex erode revenue and EBITDA by 5.1 p.p. y 9.6 p.p.,** respectively.
- ✓ In a year of technological transition, Viscofan is progressing in its investment plan for new machines at the **new Cáseda plant**, with disruptive technology of viscose-based casings, it is obtaining very satisfactory results in terms of efficiency, production speed and product quality.
- ✓ The drop in Asian markets reduces our growth prospects for the year, driving expected results for the year slightly below our initial guidance.
- ✓ Solid balance sheet to continue "MORE TO BE": the **technological transformation and growth strategy.**

Appendix. Alternative Performance Measures

The Alternative Performance Measures included in this report are as follows:

- The EBITDA, or operating profit before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.
- Cost of consumption: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors cost of consumption as one of the main cost components for Viscofan. The weight of net revenue for this cost component on revenue or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and cost of consumption must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.
- Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.
- Like-for-like revenue and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period, the effect of the change in the consolidation scope, and the non-recurring impacts of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like revenue and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.

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This circumstance must be taken into account mainly for all persons or entities that may have to take decision, develop or spread opinions relative to values issued by the Company and particularly by analysts and investors that handle this document.

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